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State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

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**IDAHO DEPARTMENT OF  
HEALTH AND WELFARE**

**FY 2007**

**Report SA27007 & IC27007  
Date Issued: June 12, 2008**

*Serving Idaho's Citizen Legislature*



Don H. Berg, Manager

Idaho Legislative Services Office  
Legislative Audits Division

**IDAHO DEPARTMENT OF  
HEALTH AND WELFARE**

## SUMMARY

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### **PURPOSE OF AUDIT REPORT**

We have completed certain financial audit procedures on the Idaho Department of Health and Welfare's financial activities that occurred during the fiscal year ended June 30, 2007. The work was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States. We obtained an understanding of the design of the relevant policies and procedures and internal controls. It was not our intent to provide an opinion on the specific financial statements or the internal controls of the Department, and we do not give such an opinion. The results of these procedures, together with procedures performed at other State agencies, allow us to express an opinion on the Statewide Schedule of Expenditures of Federal Awards prepared by the State Controller's Office. The scope of our work included auditing the federal major programs in order to issue our opinion in the statewide *Single Audit Report*. The findings and recommendations communicated in this letter will be included in the statewide *Single Audit Report*.

### **CONCLUSION**

Based on the limited procedures applied, we conclude the financial operations of the Department meet acceptable standards. Further, the Department substantially complies with laws, regulations, rules, grants, and contracts for which we tested compliance.

### **FINDINGS AND RECOMMENDATIONS**

There are ten findings and recommendations in this report.

- 1) Medicaid eligibility data in EPICS is still not reconciled to the Medicaid Automated Information system (AIM).
- 2) The Medicaid program has not coordinated the efforts to recover benefit costs through the child support program as required.
- 3) Medicaid costs are not consistently reconciled to ensure that the appropriate federal reimbursement ratios are used.
- 4) Drug rebates are processed by a contractor without adequate oversight by the Department.

- 5) Medicaid repayment agreements are inconsistently processed and not always established in the accounts receivable system.
- 6) CHIP-B premiums were not billed for the first 17 months of the program.
- 7) Records are not created in the accounts receivable system for all CHIP-B cases tested.
- 8) Costs for services to ineligible clients are still charged to the Child Support Grant.
- 9) TANF funds are improperly used for child support receipting costs.
- 10) Foster care training costs are incorrectly allocated to the TANF Grant.

The complete findings are detailed on pages 1 through 10. A copy of the entire report is available at <http://www.legislature.idaho.gov/audit/index.htm>, or by calling 208-334-4832.

#### **AGENCY RESPONSE**

The Department has reviewed the report and its responses are included in the Findings and Recommendations section of this report.

#### **OTHER INFORMATION**

We discussed other issues which, if changed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Department of Health and Welfare and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Richard M. Armstrong, and his staff.

#### **ASSIGNED STAFF**

April Renfro, CPA, Managing Auditor  
Fred Sisneros, Staff Auditor  
Liz Yturalde, CPA, Staff Auditor  
Laura Handley, Staff Auditor  
Wade Kimball, Staff Auditor  
Lori Ellis, Staff Auditor  
Jolene Crumley, Staff Auditor

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# FINDINGS AND RECOMMENDATIONS

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## **FINDING #1**

Medicaid eligibility data in EPICS is still not reconciled to the Medicaid Automated Information System (AIM).

CFDA Title: Medicaid

CFDA #: 93.788

Federal Award #: 05-0605ID5028

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: E-Eligibility

Questioned Costs: Not Determinable

We recommended in the fiscal year 2003, 2005, and 2006 audits that the Department establish a reconciliation process between EPICS and the Medicaid AIM payment system to ensure that client eligibility was properly recorded and that provider claims were paid promptly. This reconciliation process has not been fully developed, and the ongoing enhancements to the EPICS system are creating new variations and errors in client eligibility which are not actively identified or corrected.

The last time a reconciliation report was attempted was May 2005, and the resulting output had more than 27,500 errors. The Department delayed creating the reconciliation report due to resource constraints, but indicated another reconciliation report would be prepared in May 2007. However, the next reconciliation report was not completed until October 2007 and contained more than 43,000 errors.

The EPICS help desk staff manually corrects hundreds of cases each month that are identified through questions and complaints from regional caseworkers and others. However, there are no procedures in place to prevent, detect, or correct errors in EPICS unless a question or complaint is filed.

Efforts to reconcile the eligibility data in the EPICS and AIM systems have not been taken because the process is very labor intensive and resources are directed toward other issues. The ongoing enhancements to the EPICS system add to the complexity, and no interim procedures exist to ensure the accuracy and integrity of the eligibility records. As a result, clients are not provided benefits promptly, or sometimes at all, and providers who render services to clients cannot be paid until the AIM record is created.

The contract with Electronic Data Systems (EDS) requires a quarterly reconciliation, but the Department has failed to provide the information needed to complete the reconciliation. Payments to EDS include the cost of reconciliation even though it is not being performed.

## **RECOMMENDATION #1**

**We recommend that the Department establish procedures to identify and correct errors in the automated records that cause client eligibility to be delayed or not established at all. These procedures should include actively identifying cases each month with characteristics known to cause eligibility errors and documenting the changes made to the client record.**

New issues will likely arise as the EPICS system enhancements continue and these interim procedures should expand to minimize any future detrimental effect to clients and providers until all enhancements are operational.

We also recommend that the reconciliation process be a high priority as the Department plans and implements the new Medicaid management information system project.

#### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees with this finding. The Division of Welfare and Medicaid are continuing to work on a procedure for reconciliation between the two systems. This has been a priority but little progress has been made because of the complications of being able to match up the data elements from the two systems. Medicaid decided in April 2008 to pay EDS to scrub the data from EPICS to effectively perform reconciliation with AIM. This will also be addressed in the EPICS Replacement and the new Medicaid Management Information System (MMIS, which will replace AIM) projects.

#### **AUDITOR'S RESPONSE**

We will continue to monitor the Department's progress to establish a reconciliation process and reduce the number of interfacing errors.

#### **FINDING #2**

The Medicaid program has not coordinated the efforts to recover benefit costs through the child support program as required.

CFDA Title: Medicaid

CFDA #: 93.778

Federal Award #: 05-0605ID5028

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: N-Special Tests

Questioned Costs: Not Determinable

Federal regulation (42 CFR 433.155) requires the State Medicaid program to establish an agreement with the State child support program to coordinate the recovery of benefit costs from non-custodial parents and other third parties. The Medicaid program is required to pay the administrative expenses that are not otherwise allowable under the federal child support program, and to pay an incentive to the State program equal to 15% of the amounts recovered. This incentive amount is paid entirely from the federal share of the recoveries.

The State Medicaid plan indicated that the required agreement existed during fiscal year 2006 with the child support program, but a copy of this document could not be located by the Department. In addition, we found no evidence that the Medicaid program had ever paid the child support program for expenses to recover benefit costs.

The Department drafted a cooperative agreement, effective on July 1, 2007, that both the Idaho Medicaid and child support programs signed. This agreement was submitted to the federal grantor but was not approved for the following two reasons:

- 1) The State child support program is not eligible to receive the 15% incentive, as it is not a separate political subdivision as defined by regulation.
- 2) Additional language is needed to meet HIPPA confidentiality requirements related to medical records.

## **RECOMMENDATION #2**

**We recommend that the Department continue to pursue birth costs and work to finalize the agreement between the State Medicaid and child support programs that will meet the requirements of federal regulations.**

### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees with this finding and recommendation. The Department will continue to properly record and pursue for recovery in a timely manner. The Department's goal is to have an acceptable financing methodology identified and approved by both the federal Medicaid and child support programs and incorporated into the new cooperative agreement with an effective date of July 1, 2008.

## **AUDITOR'S RESPONSE**

We agree with the Department's corrective action plan and will monitor the progress to resolve this issue.

## **FINDING #3**

Medicaid costs are not consistently reconciled to ensure that the appropriate federal reimbursement ratios are used.

CFDA Title: Medicaid

CFDA #: 93.778

Federal Award #: 05-0506ID5028

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: C-Cash Management

Questioned Costs: Not Determinable

Medicaid costs are reimbursed by the federal government at several different ratios depending on the purpose and type of the cost. However, the data used to calculate the federal draws under each ratio is not reconciled to the total expenditures in the Medicaid Management Information System (MMIS). As such, the possibility exists that costs are claimed at the wrong federal ratios.

The Department created a reconciliation process during fiscal year 2008 to link the transaction details in the MMIS to the federal draw amounts, but this process is not completed for every draw.

## **RECOMMENDATION #3**

**We recommend that the Department complete the reconciliation between the federal draw amounts and MMIS total expenditures to ensure that Medicaid costs are drawn using the appropriate federal ratio.**

### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees with the finding and the recommendation. The Division of Management Services will continue to complete the reconciliation between the MMIS and the draw of federal funds, maintaining the supporting documentation.

## **AUDITOR'S RESPONSE**

We agree with the Department's corrective action plan and will monitor the progress to resolve this issue.

#### **FINDING #4**

Drug rebates are processed by a contractor without adequate oversight by the Department.

CFDA Title: Medicaid

CFDA #: 93.778

Federal Award #: 05-0605ID5028

Program Year: October 1, 2005 to September 6, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: J-Program Income

Questioned Costs: Not Determinable

Drug rebates are processed by the Medicaid system contractor, EDS, using information in the AIM Medicaid system. The calculation is based on the type and quantity of drugs purchased from various manufacturers each month, and the billings and collections are posted by EDS directly into the AIM system.

This process is handled entirely by EDS and no evidence exists to show any oversight or other confirmations by the Department. Drug rebates are significant, totaling approximately \$28 million in fiscal year 2007. We are concerned that no consistent processes exist to verify that the amounts and collections are accurate and appropriate.

#### **RECOMMENDATION #4**

**We recommend that the Department implement processes to monitor and ensure that federal drug rebate collections are accurate and appropriate.**

##### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees with this finding and recommendation. The Division of Medicaid has instituted new procedures to improve oversight of the EDS contract with regards to the processing of federal drug rebates. The Division has designated one person to perform the new oversight procedures. The Division implemented some of the new procedures in the first quarter of calendar year 2008 and will implement the remaining procedures in the second quarter of calendar year 2008.

#### **AUDITOR'S RESPONSE**

We agree with the Department's corrective action plan and will monitor the progress to resolve this issue.

#### **FINDING #5**

Medicaid repayment agreements are inconsistently processed and not always established in the accounts receivable system.

CFDA Title: Medicaid

CFDA #: 83.778

Federal Award #: 05-0605ID5028

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: J-Program Income

Questioned Costs: Not Determinable

Clients who receive Medicaid benefits in error are sent a letter of demand and a repayment agreement form to complete. The client submits the completed repayment agreement to the Central Revenue Unit. However, no process exists to evaluate whether the payback period or other terms are reasonable based on the client's income and other factors.



In addition, some repayment agreements are not established in the accounts receivable system. This situation increases the risk of loss or errors in processing and recording payments, and is a serious internal control weakness.

#### **RECOMMENDATION #5**

**We recommend that the Department establish a process to evaluate the reasonableness of repayment plans and to ensure that all plans are properly recorded in the accounts receivable system.**

#### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees with this issue. The Department will take, or has taken, two actions to improve this process. First, the Division of Management Services' Central Receipting Unit will initiate a workgroup to establish repayment standards and to identify a way to ensure all repayment agreements are recorded in the accounts receivable. The workgroup will include members of the Welfare Fraud Unit, Medicaid Program Integrity Unit, Central Receipting Unit, Welfare Programs, and Medicaid Programs.

Second, the Central Receipting Unit has begun recording the terms of each repayment agreement in the accounts receivable record to make sure all future payments are distributed correctly.

#### **AUDITOR'S RESPONSE**

We agree with the Department's corrective action plan and will monitor the progress to resolve this issue.

#### **FINDING #6**

**CHIP-B premiums were not billed for the first 17 months of the program.**

CFDA Title: Children's Health Insurance Program

CFDA #: 93.767

Federal Award #: 05-0605ID5028

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: J-Program Income

Questioned Costs: Not Determinable

Eligibility for the CHIP-B program requires clients to pay a monthly premium. This cost-sharing program was implemented as part of Medicaid reform with the passage of administrative rule (16.03.18.506) in March 2005. This rule established a \$15 premium effective for this program for fiscal year 2006. However, no premiums were billed during all of fiscal year 2006, and the Department indicated this was to allow time to notify clients of the change to the program. Further, premiums were not billed until June 2007, 17 months after the initial premium amount of \$15 was established. In March 2007, administrative rule (16.03.18.200.01-02) established a tiered premium schedule based on income.

During fiscal years 2006 and 2007, the Department collected about one-third of the estimated premiums required. This amount could be as much as \$400,000 per year in uncollected premiums. Existing clients who were moved to the CHIP-B program at its inception were provided payment coupon books to remit their premiums. During the transition, the Department implemented a new billing system to replace the payment coupon book process, but new clients were not billed and no efforts were taken to collect these premiums.

#### **RECOMMENDATION #6**

**We recommend that the Department bill for all required premiums and pursue any unbilled and unpaid premium amounts from clients.**

#### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees with this finding. Prior to the audit finding, the Department corrected this problem. The Department began billing for premiums on June 30, 2006. When Medicaid reform was implemented, the Department automatically converted individuals into the newly established coverage groups. Many of these individuals went into the new cost share groups. Because participants were not notified in advance of the conversion or of their move to cost share, the Division of Medicaid and Division of Welfare established a 5 month moratorium on premiums to allow the Department to notify participants of cost share responsibilities.

Modifications to automated systems to support the implementation of Medicaid reform were delayed and this caused the moratorium to be extended. Individuals who had delayed application processing because of this major program change had their initial premiums waived until the month after the month they were notified of approval and of their responsibility to pay a premium.

The conversion issues that caused the premium moratorium no longer exist. Participants have premiums established in the third month after their application date. This issue has been resolved and the Department does currently bill for all required premiums and pursues any unbilled and unpaid premium amounts from clients.

#### **AUDITOR'S RESPONSE**

Current participant cases are being established and billed for premiums, but the issue of unbilled premiums is not addressed. We continue to recommend that the Department pursue any unbilled and unpaid premium amounts from clients.

#### **FINDING #7**

Records are not created in the accounts receivable system for all CHIP-B cases tested.

CFDA Title: Medicaid

CFDA #: 93.767

Federal Award #: 05-0605ID5028

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: J-Program Income

Questioned Costs: Not Determinable

A data transfer process was developed by the Department to create records in the automated accounts receivable system for CHIP-B client premiums. We tested 30 CHIP-B client files and identified two (7%) where the required receivable record was not established. As a result, no billings were sent to clients, and Department staff was unable to identify the reason for these omissions. In addition, the Department does not have an established reconciliation process to ensure that all CHIP-B client information interfaces accurately between the client eligibility system and the accounts receivable system.

#### **RECOMMENDATION #7**

**We recommend that the Department analyze the interface process used to create accounts receivable records for CHIP-B premiums to identify the cause for any omitted records. We also recommend that the Department complete a monthly reconciliation**

between the eligibility and accounts receivable systems to ensure that all records are properly created, and to bill and pursue any unpaid premiums.

#### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees that a reconciliation process is needed between the CHIP database and BARS. As of March 2008, a monthly reconciliation report for the BARS and CHIP data was generated. Eligibility staff reconciles the report, identify what did not cross correctly and report system issues to a designated individual. Eligibility errors are then corrected by Self Reliance staff. The Division then generates an invoice for any missed billings.

The Department disagrees that billings were missed on the two receivable records identified in this finding. The Division of Welfare has looked through the file provided by the auditors and found that the people who did not cross to BARS should not have crossed. They did not have a debt built because either they were in the first two months of eligibility or they moved to a non-cost share group. Billings were established for subsequent months where there was a debt.

#### **AUDITOR'S RESPONSE**

We agree with the Department's corrective action plan.

#### **FINDING #8**

Costs for services to ineligible clients are still charged to the Child Support Grant.

CFDA Title: Child Support Enforcement

CFDA #: 93.563

Federal Award #: G0604ID4004

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: B-Allowable Costs

Questioned Costs: \$622,000

Federal regulation (45 CFR 302.33) requires the Department to provide services to clients who are either required to cooperate with the child support program as a condition of receiving assistance, or who applied for services and paid an application fee of \$25. Each state is required to operate a centralized receipting and disbursement unit. Costs for operating this unit are allowable to the grant, but only for those clients who meet eligibility requirements. Costs associated with providing services to clients that are not required to cooperate, or have not applied and paid a fee, are not allowable to the federal grant.

Cases where clients do not meet eligibility requirements are identified as "receipting services only," or RSO cases. As of June 2007, there were 137,315 total active cases in the automated child support system, of which 21,194 were RSO cases. The cost of services to RSO cases is based on an allocation of the automated case management system, receipting services contract, and related costs.

RSO service costs of \$1,154,000 were questioned in the fiscal year 2006 audit report, of which \$756,000 was paid from the Child Support Grant and \$398,000 was paid from the Temporary Assistance to Needy Families (TANF) Grant. The Department has yet to address the questioned costs associated with the Child Support Grant for fiscal year 2006. Another \$916,000 in RSO service costs are questioned for fiscal year 2007, of which \$622,000 was paid from the Child Support Grant and \$294,000 was paid from the TANF Grant as identified in Finding #9. These types of costs have been claimed in error for at least the last four years.

#### **RECOMMENDATION #8**

We recommend that the Department exclude costs from the federal grant for child support cases where the client is not eligible for services. We also recommend that the Department resolve the fiscal year 2006 and 2007 questioned costs with the federal grantor and determine if adjustments for prior year claims are required.

#### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees with this finding. Processes and procedures are being developed to ensure that only cases where the client is eligible for services are charged to the Child Support Grant. The Department is also reviewing Fiscal Years 2005, 2006 and 2007 costs charged to the Child Support Grant to ensure compliance and to determine if any adjustments are required.

#### **AUDITOR'S RESPONSE**

We agree with the Department's corrective action plan and will monitor the progress to resolve this issue.

#### **FINDING #9**

TANF funds are improperly used for child support receipting costs.

CFDA Title: Temporary Aid to Needy Families

CFDA #: 93.558

Federal Award #: G0006IDTANF

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: B-Allowable Costs

Questioned Costs: \$294,000

The purpose of the TANF Grant is to fund activities, benefits, or services that will accomplish one of four objectives described in the federal legislation. TANF regulations require states to continue to operate separate child support enforcement, foster care, and adoption assistance programs, and not replace state spending in these programs with TANF funds.

TANF funds of \$294,000 were used in fiscal year 2007 to pay for costs to operate the child support receipting program. The Department contends these costs support the fourth TANF objective of encouraging the formation and maintenance of two-parent families by supporting parental involvement, access, and visitation. However, there is no statistical or other evidence to support this contention.

The nature and type of costs charged do not provide a recognizable activity or benefit that meets this objective or any other allowable TANF purpose. Despite the federal grantor's acceptance of this practice in the past, we believe the Department is at risk of future disallowed costs and penalties by the grantor for using TANF funds improperly.

#### **RECOMMENDATION #9**

We recommend that the Department discontinue charging the costs of child support receipting activities to the TANF Grant.

#### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department disagrees with this finding. In the Legislative Audit Report for fiscal year 2006, the auditors reported that \$398,000 was incorrectly charged to TANF for child support receipting services. At that time, the Department disagreed with the Auditor and believed that those charges were allowable. The federal grantor ultimately agreed with the Department, that these expenditures were allowable. In the

"Notice of Determination" letter, the Administration for Children and Families (ACF), quoted a similar determination back in FY 1999:

*"TANF funds may be used for processing child support payments when the cases do not qualify for funding under the Child Support Enforcement program. This expenditure meets the fourth TANF purpose in that it supports parental access, visitation, and maintenance of parental involvement with their children."*

The Department does not see anything in this finding that was not already questioned in fiscal years 2006 and 1999. And, since the federal grantor agreed that these costs were allowable in both prior years, the Department is using this as guidance that TANF funds for processing child support payments for Non IV-D cases meets purpose four of the TANF funding guidelines by encouraging the formation and maintenance of two-parent families.

#### **AUDITOR'S RESPONSE**

We are repeating this finding because we continue to view the use of TANF funding for child support receipting costs as unallowable. The RSO child support costs in question do not represent any activity, service, or benefit. The use of TANF funds for these costs is not an "initiative" designed to increase a non-custodial parent's ability to provide financial or emotional support for his or her children. These are indirect system costs from the child support program allocated to the federal TANF grant. The Department has not provided adequate evidence that these costs are related to cases identified as allowable in the federal resolution as "cases where the support order is on or before January 1, 1994, and the payment is not made by wage withholding." These specific cases are the only types that the federal grantor has allowed for funding under TANF, and no support is available that the RSO costs charged to TANF by the Department are related to these cases.

We also have concerns regarding the Department's new estimates of RSO case costs, as detailed in a memo to the federal grantor dated April 18, 2008. The new calculation indicates that the federal TANF grant was overcharged \$327,945 for federal fiscal year 2006 and based on this new data, we estimate an overcharge of about \$244,000 for federal fiscal year 2007.

With the loss of the supplemental award and the impending spend-down of TANF prior-year awards, it is vital that all TANF expenditures meet federal objectives and effectively contribute to the success of the program. We continue to recommend that the Department discontinue the use of federal TANF funds for RSO child support costs and work with the federal grantor to resolve the overcharges for current and prior years.

#### **FINDING #10**

Foster care training costs are incorrectly allocated to the TANF Grant.

CFDA Title: Temporary Aid to Needy Families

CFDA #: 93.558

Federal Award #: G0006IDTANF

Program Year: October 1, 2005 to September 30, 2006

Federal Agency: Department of Health and Human Services

Compliance Requirements: B-Allowable Costs

Questioned Costs: Not Determinable

The amount of foster care training costs charged to the TANF Grant is disproportionately large in comparison to the foster care benefits funded by the TANF program. In fiscal year 2007, the Department charged \$1.5 million in foster care training costs to TANF, but only about \$100,000 in related foster care benefits. The formerly approved State Plan allowed for

administrative activities necessary to manage the emergency assistance (EA) program within the TANF Grant, including staff and provider training and certain foster care benefits. Using that provision, the Department has charged approximately 60-70% of federal Title IV-E training costs for foster care staff to the TANF Grant, with the remaining costs charged to the Title IV-E Foster Care Grant.

The federal reimbursement rate for the TANF Grant for training costs is 100%, and the federal reimbursement rate under the Foster Care Grant for training costs is 75%. While there is a basis for cost-sharing since the training does provide benefits to both programs, the Department did not provide an allocation plan to properly support the amounts applicable to each grant.

Additionally, the Department discontinued the use of TANF emergency assistance funds for foster care benefits in June 2007, due to the difficulty of ensuring that all eligibility criteria for the EA program were met. The continued payment of foster care training costs with EA funds could be viewed by the federal grantor as supplanting State spending in the foster care program.

#### **RECOMMENDATION #10**

**We recommend that the Department analyze the cost of foster care services and benefits provided both by the TANF emergency assistance and the foster care programs, and allocate training costs in proportion to those activities.**

#### **AGENCY'S CORRECTIVE ACTION PLAN**

The Department agrees that the use of Emergency Assistance (EA) funds in the foster and pre-adoptive parent training program was disproportionate to the foster care benefits funded through the EA program. The Department has discontinued the use of EA funds for foster care benefits and will discontinue the use of EA funds in the foster pre-adoptive parent training program. Additionally, the Department will further evaluate the method of allocating costs for staff training programs, which may utilize the results of federally approved random moment time study. The Department agrees with the recommendation and feels that these changes will result in an allocation of training costs that is reflective of the benefits received from the training programs.

The Department has not shifted costs from State to federal funds and disagrees with the suggestion of supplanted funds.

#### **AUDITOR'S RESPONSE**

We agree with the Department's corrective action plan.

# PRIOR FINDINGS AND RECOMMENDATIONS

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The prior audit report for fiscal year 2006 included ten findings and recommendations. The following is the status of those findings and recommendations.

## **PRIOR FINDING #1**

The Medicaid program has not coordinated the efforts to recover benefit costs through the child support program as required.

**We recommended that the Department establish a new cooperative agreement between the Medicaid and the child support programs that meets the requirements of federal regulations. We also recommended that the Department investigate whether prior period costs for services and incentives are recoverable from the Medicaid program by the child support program.**

### **DEPARTMENT'S ORIGINAL RESPONSE**

The cooperative agreement between Medicaid and child support has been drafted and is currently being reviewed by Medicaid to ensure it meets the requirements of federal regulation. The child support program is investigating whether prior period costs for Medicaid services and incentives can be recovered from the Medicaid program.

## **STATUS**

**Closed: repeated with additional information as current finding #2**

The Department drafted a cooperative agreement effective on July 1, 2007, which both the Idaho Medicaid and child support programs signed. This agreement was submitted to the federal grantor but was not approved. The Department is developing an acceptable cost-sharing agreement to resubmit to the federal grantor.

## **PRIOR FINDING #2**

Medicaid eligibility for newborn children is mistakenly ended early or not established at all.

**We recommended that the Department establish procedures to ensure that all children born to poverty level women remain eligible for one year from date of birth as required by the State Plan. We also recommended that the Department provide additional staff training to reduce errors in establishing and maintaining newborn eligibility.**

### **DEPARTMENT'S ORIGINAL RESPONSE**

The Department identified certain situations in which the child may not have automatic eligibility. Additionally, it noted difficulty in receiving notification of the birth of an eligible child. However, the Department listed four actions to specifically avoid the early closure of cases for children less than one year of age. Included in those actions was the consolidation of family Medicaid maintenance into one statewide unit, regular monthly reports on children under one year of age whose case was closed, workload management report generated to field workers to notify them of cases due for re-determination with a child under one year of age, and an agreement with the hospitals to act on information received within two business days.

## **STATUS**

**Closed**

The Department has established a consolidated Family Medicaid Maintenance Unit and has been generating a monthly report of ended eligibility for children under one year of age that is reviewed by field workers. Our review of a current report shows that the Department has significantly reduced the number of children whose eligibility has mistakenly ended early.

### **PRIOR FINDING #3**

Medicaid eligibility data in EPICS is still not reconciled to the Medicaid Automated Information System (AIM).

**We recommended that the Department establish interim procedures to identify and correct errors in the automated records that cause client eligibility to be delayed or not established at all.**

#### **DEPARTMENT'S ORIGINAL RESPONSE**

The Department is working to modernize Medicaid and is making programming and policy changes to eliminate erroneous coding. The Department disagreed with the number of cases cited as having overlapping benefits, and said that in more than half the cases the overlap was appropriate. The consolidation of family-related Medicaid into one unit is expected to greatly reduce errors in clients that are approved in EPICS but not included correctly in AIM.

## **STATUS**

**Closed: repeated with additional information as current finding #1.**

The Department continues to assert that individuals will have overlapping coverage as they change benefit types, and system limitations that cause this error will be addressed in the EPICS replacement. However, the reconciliation report between EPICS and AIM is a critical internal control in this process and has been delayed due to resource constraints.

### **PRIOR FINDING #4**

Nearly \$756,000 from the Child Support Grant was expended, in error, for services to ineligible clients.

**We recommended that the Department exclude costs from the federal grant for child support cases where the client is not eligible for services. We also recommended that the Department resolve the fiscal year 2006 questioned costs with the federal grantor and determine whether adjustments for prior year claims that included these costs are required.**

#### **DEPARTMENT'S ORIGINAL RESPONSE**

The Department disagreed with this finding, citing federal guidance given on a prior finding stating "TANF funds may be used for processing child support payments when the cases do not qualify for funding under the child support enforcement program. Cases where the support order is on or after January 1, 1994 and the payment is made by wage withholding are eligible for funding by the child support enforcement program. Older cases or cases where payment is not made by wage withholding may be charged to TANF."



## **STATUS**

**Closed: repeated with additional information as current finding #8.**

The federal grantor disagreed with the Department's interpretation of federal rules and requested an estimate of unallowable costs for fiscal year 2005 to present, and a method of excluding future unallowable costs.

## **PRIOR FINDING #5**

Documents were not available to support TANF eligibility in 60% of cases tested.

**We recommended that the Department review all TANF cases, and obtain any missing documentation to reassess whether eligibility and benefit amounts were properly determined. We also recommended that the Department develop a checklist to be used by all regional offices to ensure that all supporting documents are obtained before benefits are issued.**

## **DEPARTMENT'S ORIGINAL RESPONSE**

The Department disagreed that it was required to maintain evidence of these documents or verification process in the file.

## **STATUS**

**Closed**

The Department has implemented a new computer application called "E-Verify" that provides an adequate audit trail by case number and will address this concern. The application serves as the initial inquiry tool used by a caseworker to access a variety of systems and verify information such as social security numbers, income, and birth and death status. It also functions as an audit trail by maintaining searchable records detailing the caseworker, the documents that have been verified, and how and when they were verified. The federal grantor accepted the Department's assurance that policies and procedures in place were adequate to document eligibility.

## **PRIOR FINDING #6**

TANF funds were used for Head Start, child support receipting, and other unallowable activities.

**We recommended that the Department evaluate all programs funded by the TANF grant to ensure that funds are used only for activities that specifically meet the federal objectives. We also recommended that the Department resolve the questioned cost amount with the federal grantor.**

## **DEPARTMENT'S ORIGINAL RESPONSE**

The Department disagreed with this finding and asserted that Head Start and child support receipting were legitimate uses for TANF funds. Head Start also provides parenting, conflict resolution, and self-sufficiency services to the parents of children enrolled in Head Start. The Department cited a prior audit finding resolution from Region X that stated costs for services not eligible for child support funding are eligible for TANF funding.

## **STATUS**

**Closed: repeated with additional information as current finding #9.**

Other unallowable activities such as immunization costs, poison control costs, and the Governor's Coordinating Council for Families and Children costs have been moved out of TANF or discontinued. However, child support receipting costs are still being paid from TANF.

## **PRIOR FINDING #7**

Client eligibility for child care assistance is not properly documented.

**We recommended that the Department obtain appropriate documentation of eligibility for all clients receiving child care assistance. A checklist for staff should be considered to ensure that all requirements are met, with additional training and supervisory reviews when cases are established and eligibility is re-determined.**

**DEPARTMENT'S ORIGINAL RESPONSE** - The Department indicated that the Idaho Child Care program (ICCP) does not require an ICCP recipient to be a U.S. citizen, only that they must be legally in the country or that the qualifying child must be a citizen. The Department further stated that it has a variety of systems and programs verifying this information, which can be used to meet the requirements for child care assistance.

The Department also does not see the necessity of collecting progress reports from clients attending school since students who receive financial aid must have satisfactory progress to continue receiving the financial aid, and the clients receiving ICCP have low enough income to receive financial aid. The Department also disagrees with the finding on the immunization record verification. It relies on public schools to verify immunization for school age children and does not require re-verification. The Department further stated that for pre-school age children it accepts incomplete immunization records.

The Department disagrees with the finding on documenting the reason for excluding foster care income citing that there is no rule requiring documentation. The Department plans to continue to make case-by-case determinations to include or exclude foster parent income in eligibility determinations.

## **STATUS**

**Closed**

The Department's new computer application, E-Verify, provides an adequate audit trail by case number and will address this concern. The application serves as the initial inquiry tool used by a caseworker to access a variety of systems and verify information such as social security numbers, income, and birth and death status. It also functions as an audit trail by maintaining searchable records detailing the caseworker, the documents that have been verified, and how and when they were verified.

**PRIOR FINDING #8**

Federal funds were drawn early, in error.

We recommended that the Department review the draw methods used for all federal grant programs to ensure compliance with the procedures identified in the Cash Management Improvement Act (CMIA) agreement. We also recommended that the Department resolve the potential interest liability with the federal grantor.

**DEPARTMENT'S ORIGINAL RESPONSE**

The Department reviewed the final clearance pattern included in the CMIA agreement and found it did not correspond to the actual historic clearance pattern experienced by the Medicaid program. The Division of Financial Management indicated it would review the clearance patterns with the U.S. Treasury to get the correct one in place. This should eliminate the interest liability. Other draw methods will be reviewed to bring them into compliance with the CMIA agreement.

**STATUS**

**Closed**

The clearance patterns were reviewed and updated, and other draw patterns were also reviewed in the CMIA agreement as of July 1, 2007. No interest liability remains.

**PRIOR FINDING #9**

Travel vouchers were not prepared as required by Idaho Code and State travel policies.

We recommended that the Department comply with Idaho Code and State policies by requiring travelers to prepare vouchers that identify the travel itinerary, all costs associated with the trip, and the method of payment. Travel vouchers should include all details of each trip, even if the traveler is not seeking any additional reimbursement.

**DEPARTMENT'S ORIGINAL RESPONSE**

The Department developed a new travel voucher that will consolidate all expenditures related to a trip in a single document regardless of disbursement process. This form will be completed and submitted even when no funds are due to the traveler.

**STATUS**

**Closed**

The new travel authorization form and instructions have been implemented as of September 13, 2007.

**PRIOR FINDING #10**

Internal controls and monitoring P-card usage needs improvement.

We recommended that the Department strengthen internal controls and monitoring over P-card transactions by properly assigning second level approvals for all users, instructing staff to use statewide contract vendors, and avoid paying State sales tax. We also recommended that the Department periodically monitor approval levels and transactions to ensure controls and usage are appropriate.

**DEPARTMENT'S ORIGINAL RESPONSE**

System changes were made by the State Controller's Office to not allow a user to approve transactions initiated by the same person. Additionally, the Department reviewed assigned second level approvers with program staff to ensure the process is completed and documented. Third level approvers were also instructed not to approve transactions without proper second level action. Additionally, a letter has been sent to all P-card users reminding them of the required purchasing procedures, and instructing them to review transactions and remove sales tax before approving the transactions.

**STATUS****Closed**

The changes implemented by the Department address the needed improvement in controls. Monitoring is addressed through additional review by second and third level approvers to ensure that procedures, including using State vendors and checking for sales tax, are followed when making purchases with P-cards.

# AGENCY RESPONSE

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IDAHO DEPARTMENT OF  
HEALTH & WELFARE

C.L. "BUTCH" OTTER - GOVERNOR  
RICHARD M. ARMSTRONG - DIRECTOR

OFFICE OF THE DIRECTOR  
450 W. State Street, 10th Floor  
P.O. Box 83720  
Boise, ID 83720-0036  
PHONE 208-334-5500  
FAX 208-334-6558

June 2, 2008

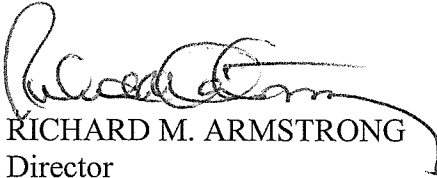
Don Berg  
Legislative Audits Supervisor  
954 W. Jefferson  
Boise, Idaho 83720-0054

Dear Mr. Berg:

The Department of Health and welfare has reviewed and responded to the recommendations presented for the Fiscal Year 2007 audit. We wish to convey our gratitude to you for the efforts of your staff. April Renfro and the audit team carried out their work in a professional manner.

The Department appreciates the effort reflected in this audit to find ways we can continue improving our performance. As a learning organization we value the efforts of your office to provide critical feedback to help us better serve the public and improve customer service.

Sincerely,



RICHARD M. ARMSTRONG  
Director

RMA/sb

c: April Renfro

# APPENDIX

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## MISSION

The Department of Health and Welfare's mission is to promote and protect the health and safety of all Idahoans. From birth throughout life, we can help enrich and protect the lives of the people of our State.

## STATUTORY AUTHORITY

The Department of Health and Welfare was created by Idaho Code, Section 39-104. The Department operates under the following titles of the Idaho Code:

TITLE AND CHAPTER	HEADING
Title 7, Chapters 10, 11 and 12	Child Support
Title 16, Chapter 1	Interagency Coordination Council
Title 16, Chapter 15	Adoption of Children
Title 16, Chapter 16	Child Protective Act
Title 16, Chapter 20	Termination of Parent and Child Relationship
Title 16, Chapter 20	Children's Mental Health Services
Title 18, Chapter 2	Persons Liable, Principals and Accessories (Fitness to Proceed)
Title 18, Chapter 6	Abortion and Contraceptive
Title 32, Chapter 12	Child Support
Title 37, Chapter 1	Food, Drugs and Cosmetics
Title 39, Chapter 2	Vital Statistics
Title 39, Chapter 3	Substance Abuse
Title 39, Chapter 6	Venereal Diseases
Title 39, Chapter 9	Prevention of Blindness and PKU
Title 39, Chapter 10	Syphilis Prevention
Title 39, Chapter 11	Day Care License
Title 39, Chapter 12	Child Care Licensing Reform Act
Title 39, Chapter 13	Hospital Licenses and Inspection
Title 39, Chapter 15	Biological Products
Title 39, Chapter 16	Food Establishment Act
Title 39, Chapter 24	Home Health Agencies
Title 39, Chapter 31	Regional Mental Health Services Act
Title 39, Chapter 33	Board and Care Act
Title 39, Chapter 35	Residential Care for the Elderly
Title 39, Chapter 37	Blood, Organ and Tissue Donations
Title 39, Chapter 39	Sterilization
Title 39, Chapter 43	Medical Consent
Title 39, Chapter 46	Idaho Developmental Disabilities and Facilities Act
Title 39, Chapter 48	Immunization Act
Title 39, Chapter 51	In-Home Financial Assistance
Title 39, Chapter 54	Artificial Insemination
Title 39, Chapter 55	Indoor Smoking
Title 39, Chapter 56	Personal Care Services
Title 39, Chapter 57	Prevention of Minors' Access to Tobacco

Title 39, Chapter 59	Rural Health Care Access Fund
Title 39, Chapter 75	Interstate Compact on Adoption and Medical Assistance
Title 39, Chapter 77	Registration of Free Medical Clinics
Title 56, Chapter 1	Payment for Skilled and Intermediate Services
Title 56, Chapter 2	Public Assistance
Title 56, Chapter 8	Hard-To-Place Children
Title 56, Chapter 9	Telecommunications Service Assistance
Title 56, Chapter 10	Department of Health and Welfare
Title 57, Chapter 17	Central Cancer Registry Fund
Title 66, Chapter 1	State Hospitals
Title 66, Chapter 3	Hospitalization of the Mentally Ill
Title 67, Chapter 65	Local Land Use Planning Act

Federal laws governing the Department of Health and Welfare include public health laws, various titles of the Social Security Act, and environmental protection laws.

## **ORGANIZATION**

### The Board of Health and Welfare

The Board of Health and Welfare helps guide the Department to promote and protect the public health and well-being of Idaho citizens. The Board is a rule-making and advisory body that can adopt, amend, or repeal rules and standards of the Department. Executive and administrative powers of the Department belong solely to the director of the Department. The Board's seven citizen members are appointed by the Governor, each representing one of seven geographic regions of the State. They are the voting members of the Board. The Board also includes the Department director, a representative from the Governor's office, and the chairs of the germane committees for the State Health and Welfare Committees.

### The Department of Health and Welfare

The Department's day-to-day operations are managed by a director who is appointed by the Governor. This appointment is subject to Senate confirmation. The director is assisted by deputy directors. Emphasis is placed on improving the lives of Idahoans by fostering self-sufficiency, independence, individual responsibility, and a healthful quality of life, to reflect the values of family, community, and work.

## **DIVISIONS**

### Division of Family and Community Services

The Division of Family and Community Services directs State social service programs, including adoptions, substance abuse treatment and prevention, child protection, child care licensing, children's mental health, and the interstate compact on children. It also oversees administration, operation, and program development for statewide services for mental health, developmental disabilities, and some institutional programs.

### Division of Public Health

The Division of Public Health directs and provides a variety of public health services to the citizens of Idaho in cooperation with local and federal agencies.



#### Division of Information and Technology

The Division of Information Technology Services designs, develops, implements, and oversees statewide operation of data processing and management information systems. The Division provides support to other divisions, regions, and institutions through automation that supports the Department's programs.

#### Division of Management Services

The Division of Management Services provides and administers services to operating units of the Department of Health and Welfare. Services include payroll, human resources, purchasing, accounting, budget and federal financial management review, and facility maintenance and planning.

#### Division of Welfare

The Division of Welfare directs State welfare programs including case assistance, child care subsidies to working low-income parents, Medicaid eligibility, food stamps, and child support services. The Division is organized on a functional basis.

#### Division of Medicaid

The Division of Medicaid designs, implements, and reviews State-funded medical assistance services. The Division administers the Children's Health Insurance Program (CHIP), a medical insurance program for low-income children. The Division also is responsible for reimbursements to providers, provider licensure and survey, and Medicaid utilization review and fraud control.

#### Division of Behavioral Health

The Division of Behavioral Health comprises the children's and adult mental health programs and the substance abuse prevention and treatment program. Division clinicians provide mental health services to primarily uninsured adult clients. Private providers, managed through the Division, deliver children's mental health and substance use disorder services. Acute mental health care is available at the State's two psychiatric hospitals, State Hospitals North and South, which are also a part of the Division. Additionally, the Division staffs assertive community treatment (ACT) teams who provide clinical services for mental health courts in each State region.

#### Division of Communications and Regional Development

The Division of Communications and Regional Development encompasses several areas within the Department, including the Administrative Procedures Section, the Bureau of Public Information and Communications, and the Regional Directors.

#### Division of Human Resources

The Division provides human resources technical assistance, facilitation, and consultation for the Department. Specific areas of support include recruitment and retention, workforce and staff development, compensation and classification, employee relations, equal employment opportunity, employee and client civil rights, privacy and confidentiality, language assistance, and employee benefits.

## DEPARTMENT OF HEALTH AND WELFARE

